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Message Text

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63
ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

AF-06 ARA-06 EA-07 NEA-10 /132 W
---------- 040214
R 291905Z SEP 75
FM USMISSION GENEVA
TO SECSTATE WASHDC 6056
INFO AMEMBASSY BUDAPEST
USMISSION EC BRUSSELS

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E.O. 11652: N/A
TAGS: GATT, ETRD, HU
SUBJ: GATT WP ON HUNGARY

REF: STATE 224245

BEGIN SUMMARY. DRAWN-OUT WP PRODUCED NO RESULTS EXCEPT UNILATERAL ASSERTIONS (A.) BY HUNGARY THAT DISCRIMINATORY QRS ARE DENYING HUNGARY ITS GATT RIGHTS AND (B.) BY EC THAT HUNGARIAN "SUBSIDIES" MAKE QRS NECESSARY BUT BILATERAL TA COULD TAKE THEIR PLACE. THERE WAS MUCH ACRIMONY BETWEEN EC AND HUNGARY THROUGHOUT. END SUMMARY.

1. DURING SEPTEMBER 22-26 GATT WORKING PARTY ON TRADE WITH HUNGARY, EC SPOKESMAN KAWAN GRILLED HUNGARY OVER ALLEGED SUBSIDIES, UNCLEAR TRADE STATISTICS, AND GENERAL UNCERTAINTIES CONNECTED WITH DOING BUSINESS WITH A STATE-TRADING COUNTRY. JAPAN JOINED IN
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QUESTIONING TRADE STATISTICS. EC THUS SUCCESSFULLY

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DIVERTED FOCUS OF MEETING AWAY FROM OWN DISCRIMINATORY IMPORT QUOTAS. TEMPERS ROSE OFTEN BETWEEN KAWAN AND NYERGES, SPOKESMAN FOR OUTSIZE HUNGARIAN DEL; SHADOW OF FORTHCOMING WP ON FINLAND-HUNGARY AGREEMENT WAS EVIDENT THROUGHOUT. ALSO VISIBLE WERE MANEUVERINGS ON BOTH SIDES OVER PROPOSED EC-WIDE TRADE AGREEMENT WITH HUNGARY (WHICH LATTER DOES NOT WANT.). WP REACHED NO CONCLUSIONS.

2. HUNGARY NOTED OWN LARGE TRADE DEFICIT WITH MARKET ECONOMY COUNTRIES AND COMPLAINED OF EC'S DISCRIMINATORY QRS AFFECTING 305 TARIFF HEADINGS AND SUB-ITEMS, MAINTAINING HUNGARY THUS BEING DENIED GATT ART. XIII RIGHTS. SWEDEN SAID OWN THREE REMAINING QRS AGAINST HUNGARY WERE ON "SENSITIVE" ITEMS: TEXTILES, FOOTWEAR, CHINAWARE. JAPAN, CANADA, AUSTRALIA STATED SOPPOSITION TO DISCRIMINATORY QRS AND ASKED FOR EXPLANATION OF REASONS FOR MAINTAINING THEM. U.S. STATED OUR TRADITIONAL OPPOSITION TO DISCRIMINATORY QRS.

3. HUNGARY SAID THEY DID NOT QUESTION QRS ON TEXTILES UNDER MFA. EC SAID THEY REMAIN COMMITTED TO LIFTING QRS GRADUALLY BUT WP HAD TO TAKE INTO ACCOUNT ALL RELEVANT FACTORS; I.E., SUBSIDIES, STATISTICAL UNCERTAINTIES, ETC. IN HUNGARY. EC SAID HUNGARY HAD FAILED NOTIFY OWN SUBSIDIES UNDER GATT ART. XVI. EC ALSO SAID CURRENT RECESSION DELAYING CONSIDERATION OF LIBERALIZATION.

4. EC SAID THEY HAD OFTEN PROPOSED NEGOTIATE A BI-LATERAL TRADE AGREEMENT, AN OFFER WHICH COVERED, AMONG OTHER THINGS, LIBERALIZATION QUESTION. EC SAID TRADE AGREEMENT WOULD BE DRAFTED WITH REGARD TO ALL INTER-NATIONAL OBLIGATIONS. (THIS WAS RAISED AFTER MUCH OF MEETING HAD BEEN TAKEN UP WITH DIALOGUE OF DEAF OVER RELIABILITY OF HUNGARIAN INFORMATION ON OWN SUBSIDY ACTIVITIES). HUNGARY SAID BILATERAL TA WITH EC WOULD DENY HUNGARY ITS LEGITIMATE GATT RIGHTS, ESPECIALLY MFN TREATMENT. HUNGARY ALSO NOTED THAT GATT AND LIMITED OFFICIAL USE

ACCESSION PROTOCOL GIVE EC RECOURSE TO EXCAPE CLAUSE AND COUNTERVAILING DUTY ACTION AND THUS QRS NOT NEEDED.

5. U.S. INVITED HUNGARIAN COMMENTS ON ARTICLE CITED IN REFTEL CONCERNING POSSIBLE WORRISOME CHANGES IN HUNGARIAN EXPORT AND IMPORT POLICY. NYERGES AT FIRST DECLINED COMMENT ON "MAGAZINE ARTICLES" BUT LATER SAID ARTICLE CONTAINED "APPARENT INACCURACIES" AND

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AGREED SUPPLY INFORMATION TO U.S. AT LATER DATE.

6. COMMENTS: EC SEEMED SUGGEST THEY NOT REALLY PUSHING FOR BILATERAL TA BUT ONLY USING THIS AS CONVENIENT DEBATING DEVICE. FACT OF U.S. INVOCATION ARTICLE XXXV WAS NOT RAISED -- LIKELY BECAUSE WE DID NOT TAKE LEADING ROLE -- EXCEPT THAT IN COMMENTING ON U.S. QUESTION IN PARA 4 ABOVE, NYERGES SAID U.S. CONSUMER GOODS LIKELY NOT TO BE CHOSEN BY CONSUMERS IN HUNGARY DUE TO HIGH PRICES RESULTING FROM HIGH HUNGARIAN TARIFF; I.E., HUNGARIAN TARIFF TREATMENT RESPONDING TO U.S. ART. XXXV INVOCATION.DALE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, COMMITTEE MEETINGS, FOREIGN TRADE, EXPORT SUBSIDIES
Control Number: n/a
Copy: SINGLE
Draft Date: 29 SEP 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975GENEVA07436
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750337-0922
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975096/aaaaafaq.tel
Line Count: 127
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 224245
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 23 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 APR 2003 by BoyleJA>; APPROVED <10 OCT 2003 by CunninFX>
Review Markings:

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06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GATT WP ON HUNGARY
TAGS: ETRD, HU, GATT, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006